Theodore E. Roberts
Attorney

101 Ash Street
San Diego, CA 92101

Tel: 619-699-5111
Fax: 619-699-5027
troberts@sempra.com

March 30, 2009

Docket Office
Hawaii Public Utilities Commission
465 S King Street, Suite 103
Honolulu, HI 96813

RE: SEMPRA GENERATION FINAL STATEMENT OF POSITION ON FEED-IN TARIFF PROPOSALS AND CERTIFICATE OF SERVICE

Dear Docket Office:

Enclosed please find an Original and nine (9) copies of **SEMPRA GENERATION FINAL STATEMENT OF POSITION ON FEED-IN TARIFF PROPOSALS AND CERTIFICATE OF SERVICE**. This is being delivered via Federal Express priority overnight mail.

Please stamp one copy and return to us using the enclosed self-addressed, prepaid envelope. Thank you.

Sincerely,

Theodore E. Roberts
Attorney for Sempra Generation

Encl.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Investigate the Implementation of Feed-in Tariffs	Docket No. 2008-0273

SEMPRA GENERATION FINAL STATEMENT OF POSITION ON FEED-IN TARIFF PROPOSALS

AND

CERTIFICATE OF SERVICE

Theodore E. Roberts

Sempra Generation
101 Ash Street, HQ 12
San Diego, CA 92101-3017
Telephone: (619) 699-5111
Facsimile: (619) 699-5027
E-mail: troberts@sempra.com

March 30, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Investigate the Implementation of Feed-in Tariffs	Docket No. 2008-0273

SEMPRA GENERATION FINAL STATEMENT OF POSITION ON FEED-IN TARIFF PROPOSALS

AND

CERTIFICATE OF SERVICE

Sempra Generation views the role of a system of Feed-in-Tariffs ("FITs") for the Hawaiian Electric Companies (collectively, "HECO") as that of a catalyst to incent renewable generation that cannot viably participate in utility competitive procurement solicitations to interconnect with the HECO systems and provide renewable energy in fulfillment of the State's renewable energy goals. FiTs provide a "one size fits all" approach to resource development that allows generating units of a certain size and with certain technical characteristics to interconnect quickly and efficiently. They do so by offering transparent, set pricing terms, standardized interconnection requirements and avoidance of the costs that generation owners might otherwise incur to participate in a competitive solicitation process or undergo extensive study before interconnecting to the grid. This makes sense for projects that are too small to meaningfully participate in utility competitive solicitations for renewable energy. But where projects are sufficiently large that their sponsors have the ability to effectively bid into competitive solicitations, and where interconnection could potentially negatively impact utility planning,

operations or reliability, the standardized interconnection process afforded by a FiT does not make sense. These larger projects should be required to be competitively bid in order to ensure the least cost and best fit solution for the utility and the best deal for ratepayers.

HECO would benefit from an appropriately designed FiT by enjoying an accelerated pace of deployment of renewable generation on its system without incurring unnecessarily high costs to interconnect and procure energy from larger scale renewables that could create significant oversupply and resultant curtailments. For larger scale renewables, where developers are sufficiently sophisticated to participate in competitive solicitations, competition will impose downward pressure on prices and incent efficiently sited renewable energy projects that minimize interconnection costs.

As Sempra Generation noted in its Opening Statement of Position filed on February 24, 2009, thus far there are two FiT proposals on the table, one from HECO and the Consumer Advocate (the "HECO/CA Proposal") and a competing proposal put forward by a number of intervening parties led by the Blue Planet Foundation (the "Blue Planet Proposal"). The tension between these competing proposals boils down to a difference in the fundamental view of the purpose of the FiT and the degree of aggressiveness that is to be pursued in its implementation. To that end, the HECO proposal is much more conservative and designed to slowly add additional renewable resources to the grid at the pace at which the company feels confident that the grid can absorb them. The Blue Planet proposal is much more aggressive and designed to quickly ramp up to significant amounts of new renewable generation on the grid, with more of the operational and financial risk placed on the utility than in the HECO/CA proposal. This accelerated rate of development will likely require operational and topographical changes to the grid in order to ensure deliverability, but would put Hawaii further down the road in the

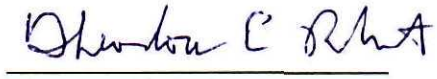
attainment of its renewable energy goals then would be likely under the HECO/CA proposal. In the end, a FIT should be designed to facilitate levels of renewable penetration that can be efficiently integrated into the grid without significant costs or risks to reliability. While a properly designed FiT can promote renewable energy development, competitive solicitations are a tried and true way of procuring renewable energy for larger projects. The FiT should be viewed as a complement to a competitive solicitation, not a substitute.

The threshold guidance that is needed from the Commission, then, is whether to pursue the conservative approach or the aggressive approach. Once that threshold policy decision has been made, the details of the FiT will be easier to determine. For a state with a 70% renewable energy goal, it is critical that all technologies be included, and that a FiT not be limited to only certain renewable technologies. Sempra Generation reiterates here its position that the HECO/CA proposal needs to be expanded to accommodate technologies other than photovoltaic, concentrated solar, inline hydro and wind -- biomass in particular should be included in the initial FiT.

Lastly, the American Recovery and Reinvestment Act of 2009 is focused in part on the development and deployment of smart grid technologies, including energy storage, that would seem compatible with the State's goals and would facilitate the penetration of additional renewable generation on the HECO systems. The Act also includes significant financial incentives to support investment in transmission and distribution facilities needed to accommodate renewable generation. This funding could be used to alleviate congestion and over-supply in some areas that could otherwise require curtailment of renewable resources to maintain reliability. To the extent possible, HECO should take advantage of any opportunities to obtain funding and technology for this purpose.

The foregoing framework informs Sempra Generation's responses (below) to the issues set forth in the Commission's January 20, 2009 *Order Approving the HECO Companies' Proposed Procedural Order, as Modified.*

Respectfully submitted,



Theodore E. Roberts

Sempra Generation
101 Ash Street, HQ 12
San Diego, CA 92101-3017
Telephone: (619) 699-5111
Facsimile: (619) 699-5027
E-mail: troberts@sempra.com

March 30, 2009

A. Purpose of Project-Based Feed-in Tariffs (PBFiTs)

1. What, if any, purpose do PBFiTs play in meeting Hawaii's clean energy and energy independence goals, given Hawaii's existing renewable energy purchase requirements by utilities?

Response: A PBFiT is one tool that can be used to quickly encourage the siting of additional small-scale renewable generation that might not otherwise be able to effectively compete in competitive solicitations for renewable energy. Having this capacity online will increase the ability of the utilities to obtain the energy they need to meet the renewable energy purchase requirements relatively efficiently. A PBFiT should not be seen as the primary tool of achieving the state's renewable objectives. While a properly designed FiT can promote renewable energy development, competitive solicitations are a tried and true way of procuring renewable energy for larger projects. The PBFiT should be viewed as a complement to a competitive solicitation.

2. What are the potential benefits and adverse consequences of PBFiTs for the utilities, ratepayers and the state of Hawaii?

Response: The benefits of PBFiTs include the potential for rapid expansion of renewable generation and lower costs for developers of small projects that can receive predictable interconnection and steady cash flow. The potential adverse consequences are the creation of two avenues for renewable developers to sell energy to HECO (FiT vs. competitive solicitation). This could result in unnecessarily high costs for HECO ratepayers because (1) developers would likely choose the higher price option rather than be forced to bid the lowest reasonable price they could offer in a competitive solicitation, and (2) the FiT option would not take necessarily consider locational operational constraints and related costs.

3. Why is or is not the PBFiT the superior methodology to meet Hawaii's clean energy and energy independence goals?

Response: PBFIT is a superior alternative for small-scale renewable projects that cannot effectively compete in competitive solicitations. Competitive solicitations are the superior methodology for procuring renewable energy from large-scale projects.

B. Legal Issues

4. What, if any, modifications are prudent or necessary to existing federal or state laws, rules, regulations or other requirements to remove any barriers or to facilitate the implementation of a feed-in tariff not based on avoided costs?

Response: To the extent that the Commission agrees with those parties who stated in their Opening Comments on the Scoping Paper that current state law does not allow for FiT pricing above avoided costs, then it might be prudent to explore repeal or modification of that statute. For example, it should be made clear that the term "avoided cost" refers to the avoided cost of the type of energy that has been procured, i.e., "avoided cost" for renewable energy is different from "avoided cost" for energy from other types of generation.

5. What evidence must the commission consider in establishing a feed-in tariff and has that evidence been presented in this investigation?

Response: The Commission should consider evidence concerning the best way to ensure a least cost, best fit procurement regime for renewable energy. This includes an examination of (1) the technical issues such as the size of renewable project that can meaningfully compete in competitive solicitations, the size of renewable facilities that can typically be interconnected with minimal grid upgrade costs, the renewable technologies that may be able to generate at a scale that is too small to effectively compete in utility competitive solicitations, as well as (2) the financial issues such as the impact on ratepayers of allowing larger scale renewable projects to choose a FiT rather than a competitive solicitation, and the tradeoffs between accelerated deployment of generation under a FiT and the benefits of price competition through competitive procurement. While proposals have been put forward, the record has yet to be developed through further proceedings such as the upcoming panel hearing.

C. Role of Other Methodologies

6. What role do other methodologies for the utility to acquire renewable energy play with and without a PBFiT, including but not limited to power purchase contracts, competitive bidding, avoided cost offerings and net energy metering?

Response: Each of the enumerated technologies has some role to play. As discussed above, a FiT is useful for smaller generation that can be interconnected and paid on a standardized basis because the costs and issues are standardized. But where project developers can meaningfully compete in a competitive solicitation process, such a process should be employed because it maximizes discipline on bidding behavior and allows for a full consideration of operational impacts and related costs, which are more likely to exist in a material way for larger scale projects.

D. Best Design for a PBFiT or alternative method

7. What is the best design, including the cost basis, for PBFiTs or other alternative feed-in tariffs to accelerate and increase the development of Hawaii's renewable energy resources and their integration in the utility system?

Response: Sempra Generation has no position on this issue at this time.

E. Eligibility Requirements

8. What renewable energy projects should be eligible for which renewable electricity purchase methods or individual tariffs and when?

Response: Sempra Generation believes that all projects that meet the size and operating criteria should be eligible for the FiT. This includes the immediate eligibility of biomass facilities, as expressed in Sempra Generation's Opening Statement of Position.

F. Analysis of the cost to consumers and appropriateness of caps

9. What is the cost to consumers and others of the proposed feed-in tariffs?

Response: Sempra Generation has no position on this issue at this time.

10. Should the commission impose caps based upon these financial effects, technical limitations or other reasons on the total amount purchased through any mechanism or tariff?

Response: The Commission should set its priorities based on the State's renewable energy goals and how much the Commission desires to accelerate its achievement of those goals. Practically speaking, there may be a need to set limits, at least temporarily, based on technical limitations of the grid.

G. Procedural Issues

11. What process should the commission implement for evaluating, determining and updating renewable energy purchased power mechanisms or tariffs?

Response: The answer to this question will be shaped by the progress that is made in reaching the State's renewable energy goals. An important component of any updates will be the progress made by HECO in integrating intermittent generation into the grid and/or deploying other technologies to address operational issues. The HECO/CA proposal is to update the initial FiT within two years of its adoption. Depending on experience under the FiT, that timeframe may need to be adjusted.

12. What are the administrative impacts to the commission and the parties of the proposed approach?

Response: Sempra Generation has no position on this issue at this time.

CERTIFICATE OF SERVICE

The foregoing **SEMPRA GENERATION FINAL STATEMENT OF POSITION ON FEED-IN TARIFF PROPOSALS** was served on the date of filing by electronic mail to those parties who provided e-mail addresses, and by U.S. mail, postage prepaid, and properly addressed to the following parties:

Catherine P. Awakuni
Executive Director
Dept. of Commerce & Consumer Affairs
Division of Consumer Advocacy
P.O. Box 541
Honolulu, HI 96809

Dean Matsuura
Manager
Regulatory Affairs
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, HI 96840-0001

Jay Ignacio
President
Hawaii Electric Light Company, Inc.
P.O. Box 1027
Hilo, HI 96721-1027

Edward L. Reinhardt
President
Maui Electric Company, Ltd.
P.O. Box 398
Kahului, HI 96732

Mark J. Bennett, Esq.
Deborah Day Emerson, Esq.
Gregg J. Kinkley, Esq.
Department of the Attorney General
425 Queen Street
Honolulu, HI 96813

Counsel for DBEDT

Carrie K.S. Okinaga, Esq.
Gordon D. Nelson, Esq.
Department of the Corporation Counsel
City and County of Honolulu
530 S. King Street, Room 110
Honolulu, HI 96813

Counsel for the City and County of Honolulu

Lincoln S.T. Ashida, Esq.
William V. Brilhante, Jr., Esq.
Michael J. Udovic
Department of the Corporation Counsel
County of Hawaii
101 Aupuni Street, Suite 325
Hilo, HI 96720

Counsel for the County of Hawaii

Douglas A. Codiga, Esq.
Schlack Ito Lockwood Piper & Elkind
Topa Financial Center
745 Fort Street, Suite 1500
Honolulu, HI 96813

Counsel for Blue Planet Foundation

Carl Freedman
Haiku Design & Analysis
4234 Hana Hwy.
Haiku, HI 96708

Warren S. Bollmeier II
President
Hawaii Renewable Energy Reliance
46-040 Konane Place, #3816
Kaneohe, HI 96744

Henry Q. Curtis
Kat Brady
Life of the Land
76 North King Street, Suite 203
Honolulu, HI 96817

Mark Duda
President
Hawaii Solar Energy Association
P.O. Box 37070
Honolulu, HI 96837

Riley Saito
The Solar Alliance
73-1294 Awakea Street
Kailua-Kona, HI 96740

Joel K. Matsunaga
Hawaii Bioenergy, LLC
737 Bishop Street, Suite 1860
Pacific Guardian Center, Mauka Tower
Honolulu, HI 96813

Theodore E. Roberts
Sempra Generation
101 Ash Street, HQ12
San Diego, CA 92101-3017

Clifford Smith
Maui Land & Pineapple Company, Inc.
P.O. Box 187
Kahului, HI 96733-6687

Erik W. Kvam
Chief Executive Officer
Zero Emissions Leasing LLC
2800 Woodlawn Drive, Suite 131
Honolulu, HI 96822

John N. Rei
Sopogy Inc.
2660 Waiwai Loop
Honolulu, HI 96819

Gerald A. Sumida, Esq.
Tim Lui-Kwan, Esq.
Nathan C. Nelson, Esq.
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, HI 96813

Sandra-Ann Y.H. Wong
Attorney At Law, A Law Corporation
1050 Bishop Street, #514
Honolulu, HI 96813

Counsel for Alexander & Baldwin, Inc.
through its division, Hawaiian
Commercial & Sugar Company

Counsel for Hawaii Holdings, LLC,
dba First Wind Hawaii

Harlan Y. Kimura, Esq.
Central Pacific Plaza
220 South King Street, Suite 1660
Honolulu, Hawaii 96813

Chris Mentzel
Chief Executive Officer
Clean Energy Maui LLC
619 Kupulau Drive
Kihei, HI 96753

Counsel for Tawhiri Power LLC

Dated at San Diego, California, this 30th day of March, 2009.

Joel Dellosa